Issue III.2 Should transit services be priced at TELRIC, regardless of the level of traffic exchanged between AT&T and other carriers?

Q. PLEASE DESCRIBE TANDEM ISSUE III.2.

A. Transit Service provides transport of traffic between CLECs, ITCs or wireless providers that are not directly interconnected with one another – via the ILEC tandem. Since Transit Service is nothing more than the provision of indirect interconnection by the ILEC,[53] and since the ILEC has an obligation to provide interconnection at TELRIC-based costs pursuant to §252(d) of the Act, Verizon has the obligation to provide Transit Service to AT&T at TELRIC-based costs. This pricing standard should apply regardless of the level of traffic or the time frames over which the ILEC carries the traffic during the term of the Interconnection Agreement. This is true because any incremental pricing methodology should already cover both the costs of carrying the traffic, as well as the costs of any new tandems that might be necessary in the future.

Q. WHAT IS VERIZON'S PRICING PROPOSAL FOR TRANSIT SERVICE?

A. Verizon refuses to price its Transit Service at TELRIC-based rates. Rather, Verizon proposes three different charges related to Transit Service; and only one of the three proposed Transit Service charges, by Verizon's own admission, are TELRIC-based.[54] The Transit Service Charge is the TELRIC-based tandem

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[53] The FCC in its *Local Competition Order* at § 997 stated that CLECs have the right pursuant to §251(a)(1), to determine, based on their own economic and technical considerations, whether to connect directly or indirectly with other carriers. Indirect interconnection was described to be interconnection via an incumbent LEC's network.

[54] Verizon Response at 26.

switching charge.[55] This TELRIC based switching charge fully compensates Verizon for the costs associated with the tandem switching and transport incurred by Verizon to deliver the AT&T call to the third party carrier. This rate also includes compensation to allow Verizon to make network additions, should such additions become necessary.

The only remaining legitimate costs associated with Transit Service are any costs that Verizon is asked to pay by the third party terminating carrier. With respect to these costs, AT&T has agreed to reimburse Verizon for any such charges imposed by the third party carrier associated with termination of an AT&T call. Thus, through payment of the Transit Service Charge and AT&T's agreement to pay any third party terminating carrier charges, Verizon's total costs associated with providing Transit Service are recovered.

Verizon, however, does not limit its charges to the Transit Service Charge. Rather, Verizon proposes to include two additional charges for this service - a Transit Service Trunking Charge and a Transit Service Billing Fee.

Q. WHAT IS THE TRANSIT SERVICE BILLING FEE?

A. The Transit Service Billing Fee is to be applied if the tandem is used to route the transit traffic beyond an initial 180 days from the effective date of the Agreement, or if a DS-1 threshold is exceeded for three consecutive months, or any three months during the first six months of the Agreement. Verizon has stated that this

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[55] *Id.*

fee is designed to ensure that Verizon "does not suffer" because of the CLEC's failure to interconnect with other carriers.[56]

Q. WHAT IS THE TRANSIT SERVICE TRUNKING CHARGE?

A. The Transit Service Trunking Charge which Verizon states is equivalent to a tandem port charge, is levied for 60 days after the above referenced 180 days, or if traffic levels have exceeded the DS-1 threshold for three consecutive months or any three months during the initial 180 day period. Verizon states that this port charge is assessed to account for the additional capacity to accommodate such traffic beyond the DS-1 threshold.

Q. ARE THESE ADDITIONAL CHARGES REASONABLE?

A. No. Both of these additional charges, Verizon states, are intended to make Verizon "whole" for its provision of Tandem Transit Service and also to give CLECs an incentive to enter into their own direct interconnection agreements with other carriers.[57] However, the pricing standards established by the FCC for interconnection are not based on some amorphous concept designed to make the ILEC "whole," nor are they developed as a type of penalty to give CLECs an incentive to get their interconnection traffic off the ILEC's network. The pricing should be TELRIC-based; and as explained above, the single Transit Service Charge covers all the costs incurred by Verizon to carry the transit traffic to the

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[56] In re: Applications of AT&T Communications of Virginia, Inc., TCG Virginia, Inc. ACC National Telecom Corp., MediaOne Of Virginia, MediaOne Telecommunications OF Virginia, Inc. Case No. 000282, Responses of Verizon-Virginia, Inc. To The Issues List Filed By AT&T Communications of Virginia, Inc., et al. (November 14, 2000) at 15.

[57] Verizon Answer at 26.

third party carrier. It is clear then that the additional charges proposed are over and above the amount the Company is allowed to charge pursuant to §252 (d) of the Act.

Not only do these two transit charges lack any reasonable cost support, but the application of these charges also appear to be based upon arbitrary time and capacity thresholds. For example, Verizon states that the DS-1 threshold is proposed to "reasonably limit congestion" at the Verizon tandems.[58] However, given the fact that the charges to which this threshold is applicable apply across the board regardless of the level of congestion at a particular tandem, this assertion lacks any legitimacy. The time frame thresholds, as well, are entirely arbitrary. Both the Transit Service Billing Fee and the Transit Service Trunking Charge could be applied after 180 days - even if there was only one Transit Service Call a day carried over Verizon tandems. Such a proposal is clearly unreasonable, anticompetitive, and has no relation to either Verizon's costs or to its alleged concerns with tandem congestion, and thus should be rejected.

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[58] Verizon Response at 25.

Issue V.16 Should AT&T have a reciprocal duty to provide transit services to Verizon?

Q. PLEASE DESCRIBE ISSUE V.16.

A. The DPL describes the issue as follows: "Should AT&T have a reciprocal duty to provide transit services to Verizon?" Verizon is proposing that AT&T must provide it with transit services to other third party carriers.

Q. WHAT IS AT&T'S POSITION ON THIS ISSUE?

A. As we testified previously, the right to choose between direct or indirect interconnection is a right granted only to non-incumbents pursuant to §251 (a)(1) of the Act. The ILEC's interconnection obligations, set forth under §251 (c)(2)(B) of the Act, do not include the right to choose between direct or indirect interconnection. Thus, Verizon's position is not supported by the law.

The differing interconnection obligations set forth in the Act were established in recognition of the ILEC's market power and the ubiquity of their networks. AT&T does not have interconnection agreements or the physical network interconnections in place with other carriers. Thus, in addition to not being supported by the law, Verizon's proposal is not even feasible given the realities of the marketplace.

Q. IS AT&T REFUSING TO PROVIDE VERIZON WITH TRANSIT SERVICE UNDER ANY CIRCUMSTANCES?

A. No. However, AT&T would agree to enter into good faith negotiations to provide transit service to Verizon, at Verizon's request, if AT&T has or could develop the

necessary network and interconnection arrangements. This proposal is more than what is required by law and is adequate and reasonable.

Issue V.I ***Competitive Tandem Service*** Should Verizon be permitted to place restrictions on UNEs so as to preclude AT&T from providing competitive tandem services?

Q. PLEASE DESCRIBE ISSUE V.I.

A. Issue V.I is set forth in the DPL as follows: "Should Verizon be permitted to place restrictions on UNEs so as to preclude AT&T from providing competitive tandem service?" Competitive tandem service is the provision of competitive switched exchange access service to IXC customers.

The IXC is AT&T's customer and AT&T carries the IXC's traffic between the AT&T switch and multiple Verizon end offices. AT&T should be permitted to purchase, at a minimum, Verizon's end office switching UNE to provide this service.

Q. WHAT IS VERIZON'S POSITION ON THIS ISSUE?

A. Verizon maintains that this issue should not be addressed in this proceeding because the interconnection agreement should only address interconnection and exchange of local traffic. If the Commission decides to consider it, however, Verizon states that the commission should reject AT&T's proposal because it will "unjustifiably siphon off Verizon's approved access revenues".[59] Finally, Verizon claims that AT&T's proposal raises technical problems that will require Verizon to undertake technically impossible tasks. Verizon's solution is to require AT&T to purchase transport and switching from its Exchange Access tariffs.

Q. IS IT APPROPRIATE TO INCLUDE THIS ISSUE IN AN INTERCONNECTION AGREEMENT?

A. Yes. As stated in AT&T's Petition, AT&T has the right, pursuant to §251 (c)(2) of the Act, to obtain interconnection to provide local exchange and exchange access service. Exchange access service is the offering of access to telephone exchange service or facilities for the purposes of origination or termination of telephone toll services. The FCC has specifically confirmed that "providers of competitive access services are eligible to receive interconnection pursuant to §251(c)(2)."[60] Since the service involved in this issue is the provision by AT&T of exchange access service - it clearly falls within those issues to be included in an interconnection agreement.

Verizon tries to support its position by pointing out that access traffic is excluded from 47 U.S.C. §251(b)(5), the section relating to reciprocal compensation.[61] What it fails to recognize, or acknowledge, is that AT&T's proposal is not to address any type of terms related to *its* access traffic; it is to address terms relating to the provision of exchange access service; an entirely different issue and one, as noted above, that is specifically included as part of the interconnection obligations of the ILEC in §251 of the Act.

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59 Verizon Response at 51.

60 *Local Competition Order* at 186; Also see, AT&T's Petition at 86-89 for further discussion of this issue.

61 Verizon Response at 51.

Q. IS THERE A DEMAND FOR THIS TYPE OF SERVICE?

A. Yes. There are a number of small IXCs that, alone, do not have a sufficient volume of interexchange traffic to justify the costs to establish direct trunks to Verizon end offices. Because these carriers then must pay for tandem switching and common transport, they find themselves at a competitive disadvantage with the larger IXCs that have established direct end office trunks. Large IXCs, such as AT&T, incur tandem costs for a much smaller portion of their traffic. Interconnecting to a CLEC, rather than an ILEC switch, allows smaller IXCs subscribing to this service to lower its tandem costs and compete more effectively. AT&T continues to receive inquiries from IXCs asking if we are able to provide this service. Thus, AT&T's service would be focused on these smaller IXC's.

Q. VERIZON COMPLAINS THAT AT&T WOULD BE PROVIDING THIS SERVICE TO ITSELF. DOES AT&T PLAN TO OFFER THIS SERVICE TO ITSELF AS AN IXC?

A. No. AT&T's IXC business has no interest in using competitive tandem service, as it currently routes in excess of 90% percent of its traffic via direct end office trunks. Using this competitive tandem service for AT&T as an IXC would actually increase AT&T's exchange access costs for interexchange traffic.

Q. HOW WOULD AT&T OFFER THIS SERVICE?

A. AT&T would offer competitive tandem service in Virginia to each Verizon end office via a collocation site at that end office. AT&T would configure its local network switches to tandem route the IXC traffic via direct end office Feature Group D trunks ordered from Verizon between the applicable Verizon end offices

and the subscribing AT&T switch. AT&T would either provide the facilities between these two switches or would lease the facilities from third parties or from Verizon. At a minimum AT&T would be purchasing from Verizon end office switching; although as noted, it may also lease facilities to Verizon's end office. In either case, it is AT&T's position that if it leases the facilities from Verizon, the rate for those facilities should be UNE rates and there should be no use restrictions imposed on the use of those facilities.

With respect to those Verizon end offices for which AT&T has no collocation arrangement, the subscribing IXC will have to route traffic that would otherwise go directly to that end office through Verizon's access tandem. This limitation on the service is necessary to enable the subscribing IXC to avoid paying two tandem switching functions (one to AT&T and one to Verizon).

Q. WHAT ABOUT THE COMPENSATION ISSUES RAISED BY VERIZON?

A. Verizon complains that AT&T's proposal to share the Switched Exchange Access revenue should be rejected because AT&T has not relieved Verizon of any cost functions. AT&T has since revised its proposal to eliminate revenue sharing, andwe will address it as part of our discussion of Issue V.8 later in our testimony.

Q. WHAT ABOUT THE TECHNICAL PROBLEMS RAISED BY VERIZON?

A. The technical limitations claimed by Verizon are a fiction and will also be addressed as part of the discussion of Issue V.8 that deals more directly with the terms and conditions relating to this service. This issue, V.I, focuses on the rates to be charged by Verizon for any facilities that AT&T leases from Verizon for

this service. As we stated, it is AT&T's position that any facilities it leases from Verizon should be charged at UNE rates.

Issue III.3 ***Meet Point Interconnection*** Should the selection of a fiber meet point method of interconnection (jointly engineered and operated as a SONET ring) be at AT&T's discretion or be subject to the mutual agreement of the parties?

Q. PLEASE DESCRIBE ISSUE III.3.

A. Issue III.3 is set forth in the DPL as follows: "Should the selection of a fiber meet point method of interconnection (jointly engineered and operated as a SONET ring) be at AT&T's discretion or be subject to the mutual agreement of the parties?"

Q. PLEASE DESCRIBE MEET POINT INTERCONNECTION.

A. Meet Point interconnection is a method of interconnecting with the ILEC's network whereby the parties jointly establish a fiber optic facility system utilizing SONET protocol and each party provides fiber optic terminating equipment located in its own serving wire center. Fiber optic strands originate from the terminating equipment on each end and meet at a fiber splice point (meet point) between the serving wire centers. The POI for AT&T's traffic would be located at the terminating facilities[62] point on Verizon's network, and the POI for Verizon's traffic would be at the terminating facilities point designated by AT&T on its network. The Parties share the use of the Meet-Point facility that spans the two parties' wire centers. AT&T proposes that each Party be allocated half of the facility channels for their use without cost (Section 1.6.1). The Meet Point

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[62] Specifically, the POI would be a cross connecting device such as a DSX (electrical) or LGX (optical) cross connect panel associated with the terminating equipment.

method of interconnection avoids the need for collocation because the networks are connected outside of the ILEC's serving wire center.

Q. WHAT IS THE BASIC DISAGREEMENT ON THIS ISSUE?

A. Since AT&T has the legal right to choose both the method and location of interconnection,[63] AT&T has proposed, consistent with that right, to select, at its sole discretion, Meet Point interconnection as its method of interconnection, and also to select the location of the splice point and the wire centers for the location of the terminating equipment. Verizon objects to AT&T's proposal, asserting that mutual agreement should be required for meet point interconnection because this method of interconnection requires joint provisioning and utilization.

While AT&T agrees that joint provisioning and shared utilization are involved when implementing Meet Point interconnection, it does not agree that this fact mandates that the ILEC agree to the selection of the method and the location of the meet point. The law contains no such exemption and there is no technical reason that the issue of selection and location of the Meet Point facility would of necessity mandate mutual agreement.

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[63] As AT&T pointed out in its Petition, AT&T has the sole right as a CLEC, pursuant tothe Act, FCC regulations and the *Local Competition Order* to require any technically feasible method of interconnection, and that right includes the right to select the method as well as the location of the interconnection. AT&T Petition at 46-48. Moreover, the FCC has found that Meet-Point interconnection is a technically feasible method of interconnection. *Id.*

Q. WHAT IS AT&T'S SPECIFIC PROPOSAL ON THIS ISSUE?

A. AT&T proposes a process whereby it would notify Verizon that it chooses to interconnect via Meet Point interconnection and AT&T would identify the Verizon and AT&T wire centers that would be the terminating points for the mid-span, as well as the location of the splice point between those wire centers. AT&T has proposed that unless otherwise agreed to, each party shall bear all expenses associated with the purchase of equipment, materials, or services necessary to install and maintain the Meet Point arrangement on its side of the fiber splice. This proposal makes sense because all equipment and facilities on the party's side of the fiber splice will belong to and be maintained by that party. Moreover, this proposal is consistent with the FCC's acknowledgment in the *Local Competition Order* that each party needs to build out its own facilities in order to establish a Meet Point interconnection. [64] AT&T also agrees to equally share the construction costs associated with any buildout, regardless of the location of the fiber splice. This cost sharing arrangement ensures that Verizon will not be unfairly burdened if the splice point is located closer to AT&T's wire center, or if for some other reason, it costs Verizon more to construct its side of the meet point.

Q. AREN'T THERE SOME DETAILS THAT REQUIRE MUTUAL AGREEMENT?

A. Yes. While AT&T does not agree that mutual agreement is required to select Meet Point interconnection as a method of interconnection, or to select the

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[64] *Local Competition Order* at ¶553.

location for the Meet Point facilities, it does agree that numerous details regarding the arrangement, such as routing issues, determining facility system size (OC-n) based on traffic forecasts, and selecting equipment type, should be mutually agreed upon, and it provides for such mutual agreement in its proposed language (See Section 1.6.4). AT&T also provides that if the Parties cannot agree on these implementation related terms, the issues should be resolved via the dispute resolution methods in the Agreement. In this way Verizon's stated concerns relating to the details associated with joint provisioning and use can be specifically resolved without eliminating AT&T's right to choose its method and location for interconnection.

Sub-Issue III.3.A. Should Mid-Span Fiber Meet facilities be established within 120 days from the initial mid-span implementation meeting?

Q. PLEASE DESCRIBE SUB-ISSUE III.3.A.

A. Sub-Issue III.3.A is set forth in the DPL as follows: "Should Mid-Span Fiber Meet facilities be established within 120 days from the initial mid-span implementation meeting?" It is AT&T's contention that Verizon must commit to interconnection activation dates associated with mid-span interconnection. Verizon, on the other hand, does not want to agree to a specific time frame, but rather wants to hold meet point interconnection hostage to Verizon's approval of all implementation details relating to the mid-span interconnection.

Q. WHAT IS VERIZON'S PROPOSAL?

A. Verizon states it will agree to 120 days for implementation as long as the 120 days does not begin to run until the Parties have agreed to all the details in a Memorandum of Understanding (MOU). [65] By requiring the signing of the MOU before the implementation time frame can begin to run, Verizon is in essence not committing to any time frame at all.

Q. WHY IS THIS A PROBLEM?

A. As we stated in Issue III.3, Meet Point interconnection should not be subject to Verizon's mutual agreement on all the implementation details. This is precisely what Verizon's "activation commitment" requires, however. AT&T has a right to meet point interconnection and this right should, like all other interconnection

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[65] Verizon Response at 30.

rights, be provided in a timely manner – it should not be an open ended process subject to Verizon's whims. A CLEC must be able to rely upon a time frame for interconnection in order to effectuate its business plans, serve customers, and otherwise address increased demand.

Q. IS AT&T'S PROPOSAL REASONABLE?

A. AT&T's proposal is entirely reasonable. It provides that the Meet Point facilities should be implemented within 120 days from an initial implementation meeting (Section 1.6.2). It is at this initial meeting that the Parties will discuss the detailed implementation plans relating to system size, equipment type, routing, etc. AT&T's language provides that if the Parties cannot agree to the material terms at that meeting, the dispute resolution terms of the agreement should apply. AT&T's language also provides that the Parties can mutually agree to stay the implementation date or either party can request a stay from the state commission. With stays limited to these two circumstances, AT&T can reasonably rely upon an interconnection time frame and thus be assured of a fair and timely interconnection process. The proposal, however, also protects Verizon, because it provides Verizon with the opportunity to request and be granted a stay whenever there are legitimate circumstances that will prevent it from meeting the deadline.

Issue V.2 ***Interconnection Transport*** What is the appropriate rate for Verizon to charge AT&T for transport purchased by AT&T for purposes of interconnection – the UNE transport rate or the carrier access rate?

Q. PLEASE DESCRIBE ISSUE V.2.

A. Issue V.2 is set forth in the DPL as follows: "What is the appropriate rate for Verizon to charge AT&T for transport purchased by AT&T for purposes of interconnection – the UNE transport rate or the carrier access rate?" It is Verizon's position that it can charge AT&T access rates for any interconnection facilities AT&T may lease that do not terminate at a collocation arrangement. It is AT&T's position that UNE transport rates are the appropriate rates to apply when AT&T leases interconnection facilities from Verizon. AT&T's position is fully supported by the law and sound public policy.

Q. WHAT DO YOU MEAN BY INTERCONNECTION FACILITIES?

A. As we stated in our testimony on Issue I.1, AT&T can implement interconnection by either self-provisioning facilities to the POI, or by leasing facilities from Verizon or third parties. It is these facilities from the originating carrier's switch to the POI that are characterized as interconnection facilities. This issue involves the rates that AT&T should pay Verizon if it leases Verizon facilities to deliver its traffic to the designated POI.

Q. WHAT DOES COLLOCATION HAVE TO DO WITH THIS ISSUE?

A. Verizon has agreed to allow AT&T to purchase UNE Inter-Office Facilities to connect an AT&T switch location to a Verizon wire center if AT&T also purchases a collocation site at the Verizon wire center. If there is no collocation,

however, Verizon requires AT&T to purchase those same facilities at its substantially-higher access rates.

Q. WHAT IS VERIZON'S RATIONALE FOR THIS POSITION?

A. Verizon's rationale for its position is that the requirement to price transport at UNE rates does not apply when there is not a collocation site to terminate the facilities because in those circumstances Verizon is providing "an end-to-end service" where Verizon is responsible for all aspects of the service.

Q. DOES VERIZON'S RATIONALE HAVE ANY LEGAL SUPPORT?

A. No, not at all. Verizon's position violates its obligation to provide unbundled network elements. Under § 251(c)(3) of the Act, an ILEC has the "duty to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms and conditions that are just, reasonable and nondiscriminatory."

With respect to interoffice facilities specifically, the FCC has ruled in both the *Local Competition Order* and more recently in the *UNE Remand Order* that ILECs "must provide interoffice transmission facilities on an unbundled basis to requesting carriers."[66] With respect to this obligation the FCC stated in the *Une Remand Order*:

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[66] *Implementation of Local Competition Provisions of the Telecommunications Act of 1996*, CC Dkt. 96-98, Third Report and Order and 4th Further Notice of Proposed Rulemaking,

> Although the record indicates that competitive LECs have deployed transport facilities along certain point to point routes, the record also demonstrated that self provisioned transport, or transport from non-incumbent LEC sources is not sufficiently available as a practical economic or operational matter to warrant exclusion of interoffice transport from an incumbent LECs unbundling obligations at this time.
>
> *UNE Remand Order* at ¶321.

Thus, AT&T is within its rights to request that Verizon provide it with interoffice facilities to deliver its traffic to the designated POI. Furthermore, if the Commission were to adopt Version's POI proposal (which it should not do), AT&T would become financially responsible to carry Verizon's traffic between Verizon's originating switch and the AT&T switch, and AT&T requirements for leased facilities would be many times greater than it is today. Having to pay exchange access rates to transport Verizon's originating traffic would be a double wammy for AT&T. This matter is discussed in greater detail in connection with the cost study provided under Issue I.1.

Q. WHAT ABOUT VERIZON'S 'END-TO-END' SERVICE CARVE OUT WHICH IT CLAIMS PROVIDES AN EXEMPTION FROM ITS REQUIREMENT TO CHARGE UNE RATES?

A. There is no end-to-end service exemption related to Verizon's obligation to provide facilities at UNE rates for interconnection. In fact, we don't really know what this means. The argument appears to be simply a variant of the previously discredited argument that the UNE-P need not be provided by ILECs because the

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¶ 321, (Rel. Nov. 5, 1999) (UNE Remand Order); *Local Competition Order* at ¶ 439 et.

Act requires a CLEC to combine UNEs with its own facilities; an argument that has been rejected outright by the Supreme Court.[67] The distinction that Verizon is trying to make is a distinction without a difference in terms of its obligation to provide interconnection facilities at UNE rates.

Q. HAVE ANY STATE COMMISSIONS EXAMINED THIS ISSUE?

A, Yes. The Massachusetts Commission also refused to accept Verizon's "end-to-end service" argument in an AT&T Broadband (formerly MediaOne Telecommunications of Massachusetts, Inc.)/Verizon arbitration. In that case Verizon claimed that the dedicated transport facilities it leased to AT&T Broadband between the terminating point of a mid-span meet facility located at a Verizon tandem and Verizon's other tandems should be priced at access rates, because, among other things, it was providing an "end-to-end access service". The Massachusetts Commission rejected that argument and found that the facilities were inter-office facilities that should be priced at UNE rather than access rates.[68]

Q. WHAT ABOUT THE PRICE DIFFERENTIAL BETWEEN UNE RATES AND ACCESS RATES?

A. The Act clearly requires that CLECs can interconnect with and use the ILEC's network at prices based upon the cost of providing interconnection or network

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67 *AT&T* v. *Iowa Utils. Bd.*, 119 S.Ct. 721 (1999).

68 MediaOne Telecommunications of Massachusetts, Petition for Arbitration of Interconnection Rates, Terms, and Conditions with New England Telephone and Telegraph Company d/b/a/ Bell Atlantic-Massachusetts, Inc. v. Bell Atlantic, D.T.E. 99-42/43-A, (March 15, 2001).

elements.[69] Despite this mandate, Verizon nevertheless proposes to charge access rates for interconnection facilities. Verizon's access rates exceed the economic costs of providing transport facilities. The FCC has recognized that access charges are not based on forward looking economic cost, but are generally well above economic cost.[70]

The price differential between access rates and UNE rates for DS-1 and DS-3 facilities for Virginia is significant. A sample comparison of special access and UNE rates for DS-1 and DS-3 facilities is provided in Exhibit DLT-7.

Q. WHAT IS THE EFFECT OF THE VERIZON PROPOSAL?

A. Verizon's proposal unfairly increases Verizon's revenue by requiring AT&T to purchase expensive collocation or, in lieu of collocation, by requiring AT&T to pay exchange access rates rather than UNE rates whenever AT&T leases facilities from Verizon. The unfairness of this proposal is more striking when one examines it in the context of Verizon's other proposal that we discuss in our testimony relating to Issue VII-5.

Q. HOW IS THIS ISSUE RELATED TO ISSUE VII-5?

A. It is simply the mirror image of this issue, because it relates to what Verizon would pay AT&T if Verizon were to lease interconnection facilities from AT&T to deliver its traffic to the POI. Basically, as we will explain in our discussion on that issue, Verizon's position is that is does not have to fully compensate AT&T

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[69] 47 U.S.C. ¶252(d)(1).

[70] *First Report and Order, Access Charge Reform,* 12 FCC Rcd 15982, ¶¶ 258-84. (1996).

for its costs if Verizon leases interconnection facilities from AT&T. Specifically, Verizon proposes that if AT&T does not establish enough POIs in locations that are acceptable to Verizon, Verizon does not have to pay AT&T any distance sensitive charges incurred by AT&T for that transport. So in summary, taking these two issue together, we see that Verizon is proposing that AT&T must overpay Verizon for using its facilities, while Verizon can underpay AT&T if it uses AT&T's facilities. These proposals are not only direct violations of the Act, but are blatantly anticompetitive and unfair.

Sub-Issue III.4.B. Should Verizon have the unilateral ability to terminate trunk groups to AT&T if Verizon determines that the trunks groups are underutilized?

Q. PLEASE DESCRIBE SUB-ISSUE III.4.B.

A. Sub-Issue III.4.B is set forth in the DPL as follows: "Should Verizon have the unilateral ability to terminate trunk groups to AT&T if Verizon determines that the trunk groups are underutilized?" Verizon claims that it must have the ability to unilaterally terminate its outbound trunks (those which carry traffic to AT&T) when those trunk groups are underutilized in order to enable it to manage its network. Specifically, Verizon seeks to disconnect its outbound trunks if it unilaterally determines that actual traffic volume over a certain 90-day period is not sufficient to support these trunks. This type of unilateral action is contrary to industry standards and could negatively affect AT&T's ability to serve its customers. AT&T proposes that mutual agreement be required before any trunks are terminated. This proposal is consistent with good network management practices and the promotion of competition.

Q. WHY DOES GOOD NETWORK MANAGEMENT REQUIRE MUTUAL AGREEMENT BETWEEN THE PARTIES BEFORE TRUNK GROUPS ARE TERMINATED?

A. Interconnection trunk groups are established between two switches, one belonging to each party. The failure of either party to set up corresponding trunk group parameters (e.g., routing instructions, traffic direction, number of trunks) would result in the failure of the trunk group or substantially diminished performance. Thus, by their nature, interconnection trunk groups are *mutual* instruments of traffic exchange, are established by *mutual* action and should be only be modified

and discontinued through *mutual* action. Accordingly, unilateral modification or discontinuation of trunk groups by either party should be prohibited.

Q. DO THE INDUSTRY STANDARDS SUPPORT THIS POSITION?

A. Yes. The Ordering and Billing Forum (OBF) of the Alliance for Telecommunications Industry Solutions has specified the procedures and forms for interconnected carriers to use to add, modify and discontinue interconnection trunks. Under this process, the party that has "control" over the trunk group would issue an order in the form of an Access Service Request to the other party to establish, increase or decrease a trunk group. The other party would reply with an order confirmation; or, if the other party believes the requested action is unwarranted or inappropriate, it would set up a meeting (normally a teleconference) to resolve the difference. This is a common, if not daily, occurrence among trunk provisioning centers. AT&T is simply proposing that the parties follow this standard industry practice.

Q. WHAT SHOULD VERIZON DO IF AT&T DOES NOT CONFIRM VERIZON'S REQUEST?

A. If AT&T's trunk provisioning center happened to misplace or delay a Verizon disconnect trunk order, this should not give Verizon the right to take unilateral action which may adversely affect the performance of AT&T's network. If Verizon personnel do not receive the confirmation they expect, they may re-send the order, pick up the phone or send an email message. The managers of AT&T's and Verizon's trunk provisioning centers are well known to each other and resolve trunk provisioning issues on a regular basis.

Q. WHY IS VERIZON REFUSING TO AGREE TO FOLLOW STANDARD INDUSTRY PRACTICE?

A. Even though Verizon and AT&T have already agreed to trunk a provisioning process, and to abide by the OBF guidelines, Verizon is still insisting on a unilateral right discontinue trunks, not out of any concerns over AT&T's practices, but instead because, Verizon asserts, some other CLECs may opt into the AT&T agreement and, it claims, many of these carriers will not establish cooperative trunk servicing procedures. [71]

Q. WHAT IS YOUR RESPONSE TO VERIZON'S EXPLANATION?

A. First, Verizon's concern is based on pure speculation that some unnamed carrier will opt into the AT&T agreement and will refuse or be unable to implement cooperative trunk servicing practices. It is not rational or fair to penalize AT&T because of some speculation regarding the possible future actions of a party that is not part of this agreement. Second, even if Verizon's worse fears were realized, it simply has to take action to enforce its agreement. The solution is not to restrict AT&T.

Q. WHAT ARE SOME OF AT&T'S CONCERNS WITH VERIZON'S PROPOSAL?

A. Because trunk groups exist on both parties' switches, if one party alters a trunk group without the other party making a corresponding change, plant becomes stranded and maintenance problems are created. If AT&T's records show that a certain trunk group has 48 trunks and Verizon has unilaterally discontinued 24

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[71] Verizon Response at 43.

trunks, AT&T personnel may spend needless time trouble-shooting and identifying the cause. If such a situation goes undiscovered for a longer period, the 24 unused trunk terminations on AT&T's switch are stranded and not available to be used for growing other trunk groups.

More importantly, however, Verizon's proposal has customer-affecting implications. Since trunk traffic is inherently "spiky" by nature, it is not unusual to see substantial increases of traffic after a period of relative stability. Verizon's proposal does not give AT&T the opportunity to provide information about impending traffic volume increases. As a result of Verizon's unilateral action, unbeknownst to AT&T there may be too few trunks in a certain trunk group to handle new AT&T customers. Excessive, customer-affecting call blocking would result. AT&T considers such situations very serious and expends substantial technical and management resources trouble shooting, escalating and restoring service. All of which could be avoided if Verizon simply received AT&T's confirmation before discontinuing trunks.

Consider another example of how Verizon's proposal could adversely impact customers. From time to time Verizon, for whatever reason, may delay an AT&T customer's activation date. If during that delay Verizon's trunk engineering group were to disconnect, as "underutilized," the trunks AT&T planned to use to serve that customer, AT&T's customer could be subject to further delays as AT&T, once again, is forced to request that Verizon "turn up" the trunks. There is really no reason to create these types of problems for AT&T and its customers. Certainly, Verizon's phantom "bad CLEC" excuse is not an adequate reason.

AT&T's proposal, on the other hand, provides, consistent with industry practice, that the parties will cooperate on trunk capacity issues and avoid the types of problems mentioned above.